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Included in this issue is this special article:

"French Resistance to ECA's Policy on Investments."

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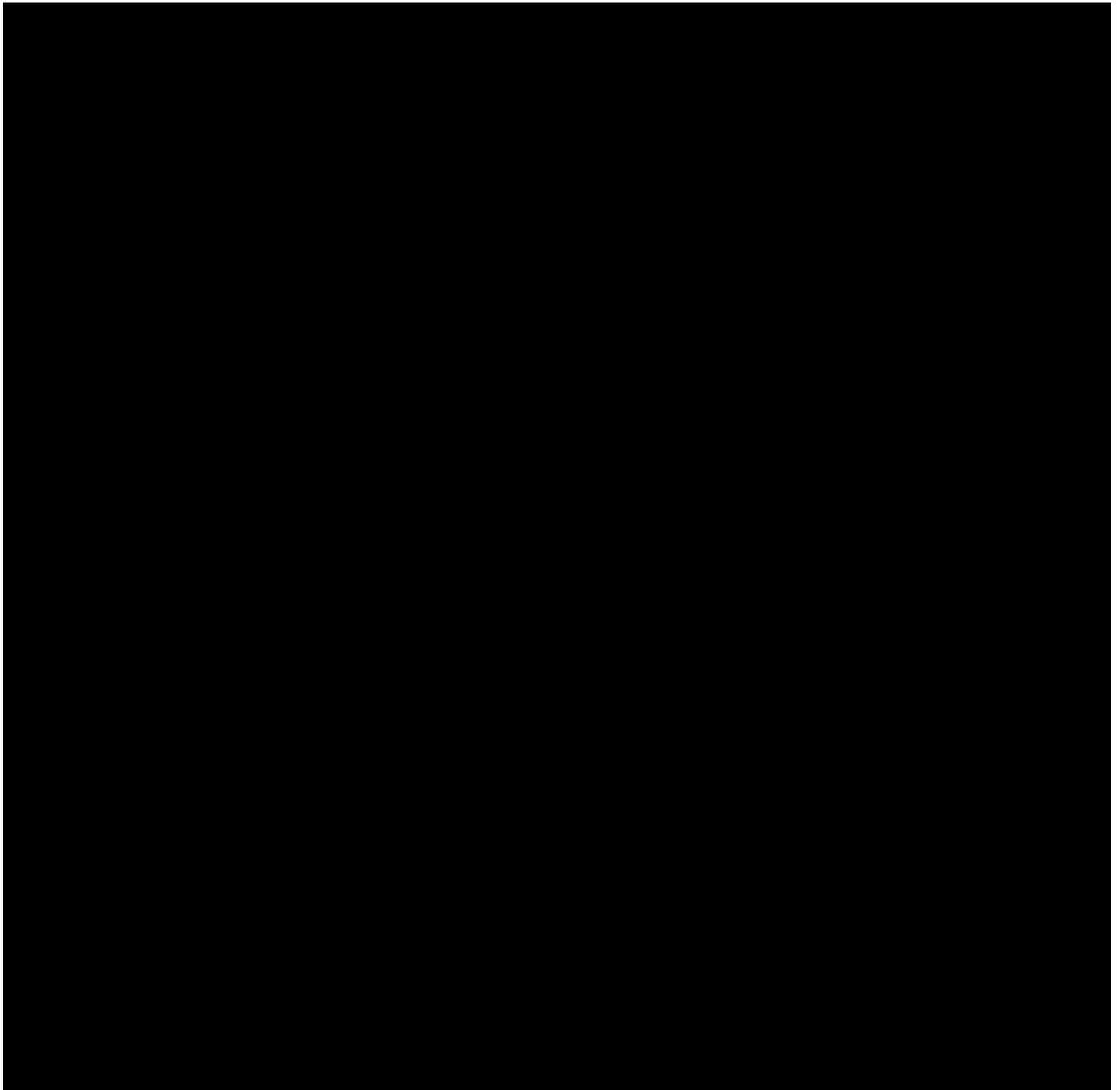
WESTERN EUROPE DIVISION

WEEKLY SUMMARY

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SWITZERLAND

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The Swiss are unlikely to grant recognition to the German Democratic Republic (GDR), despite the current attempts by the GDR to maneuver de facto recognition during trade negotiations. These negotiations are presently suspended, apparently on economic grounds. The Swiss are increasingly determined to preserve their neutral status, and their relations with both the GDR and the west German Republic will closely approximate de facto recognition in its practical as opposed to its legal effects. The Swiss have replied to unofficial expressions of US concern that their commercial arrangements with the GDR are made with the cognizance of the Western Allies in Berlin, and that Switzerland would not take steps implying de facto recognition. Although the GDR attempted to attach the condition of what amounted to de jure recognition to the Finnish trade agreement initialed last autumn, it has apparently used more restraint in the case of Switzerland, as the Swiss trade is more valuable. The Swiss also find such arrangements profitable and probably consider them to be of sufficient interest to the GDR so that the GDR will not hamper Swiss interests in East Germany.

FRANCE

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The new minimum wage about to be set in France will determine in large part the extent of labor's discontent in the coming months. A committee composed of representatives of the four major unions and the Government is now studying budgets of typical French workers so as to be able to make recommendations to the Government, which will actually fix the minimum wage, probably by mid-summer. The new minimum will be the basis of all wage scales to be established under the collective contracts which are still to be negotiated.

The old minimum was 12,000 francs, based, according to the tradition, on the budget of a Paris metallurgical worker. The Communist-dominated General Confederation of Labor (CGT) demands that the minimum be raised to 19,000 francs; the non-Communist unions believe 17,000 is basic; the Government seeks to hold the figure slightly under 15,000.

Should the Government's view prevail, worker resentment, simmering since the virtual defeat of the February-March strike campaign, might boil up into another wave of strikes.

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Prolonged strikes, however, would still be unlikely because considerable bargaining power has been lost by the unions through the continued rise in unemployment, which makes the workers increasingly fearful of jeopardizing their jobs.

The minimum wage is finally apt to represent a compromise between the estimates of the Government and the non-Communist unions. The closer the figure is to the latter's estimate, the greater will be the prestige gained by all the unions, and the smaller will be the likelihood of a strike wave; also, the closer the figure approaches that estimate, the greater will be the probability of a new wage-price spiral.

BELGIUM

A

Although the pro-Leopold Christian Social Party (PSC) probably will receive an absolute parliamentary majority in the 4 June elections, the political stalemate over King Leopold's status will not then be easily ended. Despite the probable voting power in Parliament for an all-PSC (Catholic) Government, the PSC will be faced with the reluctance of many Catholic political and trade union leaders to bring Leopold back under a one-party Government, and with the inevitability of Socialist and Communist strikes if Leopold is restored.

The election campaign will be waged largely over the issue of King Leopold's status, and the position of the PSC in this respect will be strong. In the 1949 national elections the PSC obtained an absolute majority in the Senate, but fell two seats short of a majority in the Chamber of Deputies. In the same elections, the Liberal Party made gains in the Flemish areas, where later, the "popular consultation" (March 1950) on Leopold's status showed that many people who had voted Liberal favored the King's return. The Liberal Party, therefore, may be expected to lose out among the Flemings to Catholic candidates. The PSC probably has minimized the threat to its strength represented by the extreme rightist Flemish parties by preparing joint lists with the most powerful of these groups.

Besides its probable loss of Flemish support, the Liberal Party, by its seeming willingness to compromise on its opposition to Leopold, may cause the defection of its Walloon supporters to the Socialists or to independent Walloon groups. The running of joint Socialist-Liberal

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candidates in the Luxembourg and Limburg provinces is unlikely to make substantial inroads into the strong Catholic position in these areas. There probably will be little change in the parliamentary strength of the Socialist Party, although a gain of one or two seats from the Communists is possible. The severe losses the Communist Party sustained in 1949 reduced it about to the "hard core", and almost to its prewar parliamentary strength.

ITALY

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A nation-wide strike of the Communist-inspired farm day-laborers (braccianti) may have been averted by the surprise conclusion recently of a national contract for the day-laborers. All labor unions have hailed the contract as a major victory for the workers. It provides for an eight-hour day, except during periods of minimum agricultural activity, and for various other benefits including extra pay for overtime, night work and holidays, and for a 6% wage increase as compensation for national holiday and Christmas bonuses, which these workers do not enjoy because of the temporary nature of their employment. The principles of this national contract had been agreed to at the settlement of the braccianti strike in June 1949, but negotiations between the landowners and the unions (with government mediation) to implement these principles had been long and drawn out, with little evidence of accomplishment until the contract was suddenly signed on 13 May.

Until that date, it seemed likely that the numerous sporadic strikes during the past six weeks, in which a number of farm-laborers had been killed, would lead to a potentially dangerous nation-wide strike, probably when the farm-laborers were needed for the wheat harvest at the end of May.

Though the danger of such a strike still exists, inasmuch as the braccianti remain the most destitute class in Italy and their major objective of a uniform national wage law remains unattained, the danger has been distinctly reduced by the achievement of the 13 May labor contract.

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Italy's Christian Democratic Party will meet with increasing criticism in Parliament as a result of its sponsorship of measures clearly desired by the Vatican. The opposition will come not only from parties outside the Government, but from the moderate leftists in the Cabinet itself. The issue of "clericalism" will be raised by these groups in connection with: (1) the school reform bill recently outlined by the Christian Democratic Minister of Education; and (2) the bill limiting divorce, presented by the Christian Democratic Minister of Justice. These two bills are currently the subject of heated press discussion.

Because the school reform law would greatly increase the influence of the Church in education, the Christian Democrats are vigorously opposed by their coalition partners, the Republicans and democratic Socialists (both moderate leftist parties), by the Liberals (conservative) and by the extreme Left.

The extent of the opposition to the divorce measure, was shown in the Senate, where the Christian Democrats were its sole supporters. This bill, which would give the Attorney General the right to rule on the validity of Italian divorces abroad, thus taking the matter out of the hands of local civil magistrates, is attacked as an undemocratic encroachment by the executive branch of the Government upon the powers of the judiciary. The Lateran Pact, recognized by the Italian Constitution, prohibits divorce in Italy; critics of the new bill on foreign divorces charge that it would give the Vatican, through its power of annulment, a monopoly over marriage dissolution, eliminating the distinction between civil and religious marriage.

Sectors of the Italian press also interpret the acquisition by the militantly religious Dossetti group of membership in the directorate of the Christian Democratic Party as an indication of greater "clerical" influence.

The Vatican can be expected to disassociate itself officially from any political group, but will probably take a strong stand on religious and moral grounds in favor of the school and divorce bills. If these are enacted into law, they will be another factor in the growing popular dissatisfaction with the Government's policies.

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SPECIAL ARTICLE

FRENCH RESISTANCE TO ECA'S POLICY ON INVESTMENTS

T

Through 1950 at least, the French Government is not likely to concentrate investments in the "critical sectors" defined by ECA. The new approach of ECA to investments calls for financing projects that promote economic integration and dollar earnings. The French Government, however, is determined to carry out fully the remainder of the Monnet investment program, which involves mainly heavy industry and is, on the whole, designed neither to prepare French industry for free European competition nor to expand dollar earnings. Private investment in France, moreover, is likely to remain at a relatively low level throughout this year.

To promote economic integration, ECA would have the governments of the participating countries (and private investors as well) give particular attention to workers' housing and the retraining of workers. A rationalization of European production would inevitably force a readjustment of the national economies which would require the shifting of some workers from their present homes and occupations to others. Hence ECA is convinced that the present French housing program must be greatly expanded and that French workers must be rapidly retrained for jobs in the most efficient industries. These requirements are, however, receiving only secondary attention in the French Government's current investment planning.

In the field of agriculture, ECA favors investment in the farm "extension service," the recovery of waste lands, the construction of farm buildings, incentives to the use of modern farming methods, and the improvement of credit facilities. The French Government has barely begun to invest in these activities, having hitherto concentrated its slight agricultural investments in such rural community projects as better roads and drainage systems.

To expand dollar earnings, ECA believes the participating countries should accelerate their plans for encouraging exporters to develop markets in the dollar area, and should also promote tourism by such means as the erection of new hotels and the improvement of existing facilities.

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The French admit that the "critical sectors" must be strengthened eventually, but they are not inclined to act energetically at this time. The Government, under heavy pressure, especially from industrialists, to cling to its investment program, finds its present course politically expedient. The Government is unlikely, moreover, to request an over-all increase in public investment expenditures, inasmuch as it professes to fear that such action would jeopardize the financial stability achieved thus far. Actually, since the Socialists left the Cabinet in February 1950, the Government appears to be favoring business over labor, in this case by postponing projects advantageous to the workers.

When ECA suggested that 20 billion francs (less than 10%) of the 1950 counterpart funds be earmarked for projects in the "critical sectors," French officials tartly complained of undue US influence, and charged that the US wanted to circumvent Parliament and press the French Government to make expenditures popular with labor. Although the French finally concurred in ECA's proposal, they can be expected to obstruct any effort by ECA to make further recommendations along this line in 1950.

ECA has, in view of this situation, decided to recommend officially only those projects within the "critical sectors" in which the French themselves have already expressed an interest, meanwhile popularizing its investment objectives among groups influential with the Government. With this approach, ECA will be able to exert some influence toward strengthening French investment policy in the "critical sectors." France is likely, for example, to direct some additional agricultural investment into the channels desired by ECA, and it is already encouraging the modernization of automobile production for long-term international competition and urging common action by the countries participating in ERP to remove all quota restrictions on automobile imports.